



# WEINLANDER FITZHUGH

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VILLAGE OF FARWELL  
LOCAL DEVELOPMENT FINANCE AUTHORITY  
CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS  
FEBRUARY 28, 2006

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## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name LDFA - VILLAGE OF FARWELL	County CLARE
Fiscal Year End 2-28-06	Opinion Date 5-12-06	Date Audit Report Submitted to State 8.21.06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☐ ☒ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	DEFICIT ELIMINATION PLAN	
Certified Public Accountant (Firm Name) WEINLANDER FITZHUGH		Telephone Number 989-386-3481	
Street Address 601 BEECH STREET		City CLARE	State MI
		Zip 48617	
Authorizing CPA Signature <i>Shannon Wilson</i>		Printed Name SHANNON WILSON	License Number 1101027042

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## INDEPENDENT AUDITORS' REPORT

May 12, 2006

Members of the Authority Board  
Village of Farwell Local Development  
Finance Authority  
Clare County, Michigan

We have audited the accompanying financial statements of the special revenue fund of the Village of Farwell Local Development Finance Authority, Clare County, Michigan, a component unit of the Village of Farwell, as of and for the year ended February 28, 2006, as listed in the index. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the special revenue fund and do not purport to, and do not present fairly, the financial position of the Village of Farwell Local Development Finance Authority, Clare County, Michigan, as of February 28, 2006, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the special revenue fund of the Village of Farwell Local Development Finance Authority, Clare County, Michigan as of February 28, 2006, and the changes of financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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VILLAGE OF FARWELL  
LOCAL DEVELOPMENT FINANCE AUTHORITY  
Balance Sheet  
February 28, 2006

	<u>Special Revenue Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 58,276
Due from other governmental units	<u>5,020</u>
Total Assets	<u>\$ 63,296</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>Liabilities</u>	
Due to other governmental units	\$ 85,512
<u>Fund Balance</u>	
Unreserved	<u>(22,216)</u>
Total Liabilities and Fund Balance	<u>\$ 63,296</u>

See accompanying notes to financial statements.

VILLAGE OF FARWELL  
LOCAL FINANCE DEVELOPMENT AUTHORITY  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Year Ended February 28, 2006

	Special Revenue Fund
<u>Revenues</u>	
Taxes	\$ 8,414
Other	44,000
Total revenues	<u>52,414</u>
 <u>Expenditures</u>	
Legal and other professional fees	1,297
Other	20,503
Total expenditures	<u>21,800</u>
 Excess of revenues over expenditures	30,614
 Fund balance - beginning of year	<u>(52,830)</u>
 Fund balance - end of year	<u><u>\$ (22,216)</u></u>

See accompanying notes to financial statements.

VILLAGE OF FARWELL  
LOCAL FINANCE DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
For the Year Ended February 28, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Authority's Operations**

The Village of Farwell Local Development Finance Authority (Authority) is a component unit of the Village of Farwell and operates under the supervision and control of a Board consisting of the Chief Executive Officer of the Village of Farwell, and seven members as provided by Act 197. The Authority was established to serve all the citizens of the government.

**B. Basis of Presentation**

The financial activities of the Authority are recorded in separate funds and account groups, categorized and described as follows:

Special Revenue Fund - This fund is used to account for the specific revenue sources (other than special assessments) that require separate accounting because of legal or regulatory provisions or administrative action.

**C. Basis of Accounting**

All governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

1. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the County tax rolls.

2. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
3. Normally, expenditures are not divided between years by the recording of prepaid expenses.

VILLAGE OF FARWELL  
LOCAL FINANCE DEVELOPMENT AUTHORITY  
Notes to Financial Statements  
For the Year Ended February 28, 2006

**NOTE 2 –BUDGET**

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for the General Fund and all special revenue funds prior to the expenditure of monies in a fiscal year.

P.A. 621 of 1978, Section 18(1), as amended, provides that local units shall not incur expenditures in excess of the amount appropriated. The LDFA has not adopted a budget for the year ended February 28, 2006, and is in violation of the Act.

**NOTE 3 – DEFICIT FUND BALANCE**

The Authority is a component unit of the Village of Farwell (Village) and is currently operating under a deficit fund balance. The deficit has been financed by advances from the General Fund of the Village. It is the intention of the Authority to repay the General Fund as lots are sold in the Industrial Park.

**NOTE 4 - CASH AND INVESTMENTS**

The Authority has adopted a formal investment policy consistent with that authorized by Michigan Law. The Authority's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk. The Authority did not have funds in investments at February 28, 2006.

**Cash**

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of February 28, 2006, the amount exposed to custodial credit risk could not be determined since the Authority participates in the government's common cash. The federal depository insurance is not specifically allocated to their balance.



VILLAGE OF FARWELL  
LOCAL DEVELOPMENT FINANCE AUTHORITY  
Notes to Financial Statements  
For the Year Ended February 28, 2006

**NOTE 4 - LONG-TERM DEBT**

	Balance March 1, <u>2005</u>	Debt Issued	Retired	Balance February 28, <u>2006</u>
State of Michigan Community Development Block Grant Program Revenue bonds, dated April 1, 2000 due in annual installments through May 2018, with no stated interest.	<u>\$ 372,902</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 372,902</u>

Annual debt service requirements to maturity for the above obligation are as follows:

Year Ended <u>February 28</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 27,286	\$ 0
2008	36,381	0
2009	36,381	0
2010	36,381	0
2011	36,381	0
2012-2016	181,905	0
2017-2021	<u>18,187</u>	<u>0</u>
Total	<u>\$ 372,902</u>	<u>\$ 0</u>